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FISCAL IMPACT STATEMENT

LS 6576

BILL NUMBER: HB 1722

NOTE PREPARED: Feb 23, 2009

BILL AMENDED: Feb 23, 2009

SUBJECT: Indiana Soldiers' and Sailor's Children's Home.

FIRST AUTHOR: Rep. Reske

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill establishes the Morton Residential Academy Board (Board). The bill changes the name of the Indiana Soldiers' and Sailors' Children's Home (Home) to the Morton Residential Academy (Children's Home). It transfers responsibility for the Home from the State Health Commissioner to the Board. It also makes conforming amendments.

The bill provides that the Indiana Soldier's and Sailor's Children's Home: (1) must continue to offer services to eligible children in need of residential care; and (2) must not reduce staffing levels and job classifications below those in effect at the Indiana Soldier's and Sailor's Children's Home on January 1, 2009. The bill also makes various changes relating to the administration of the Indiana Soldier's and Sailor's Children's Home.

It provides that the school at the Indiana Soldier's and Sailor's Children's Home shall utilize an age appropriate military structure for Grades 7 through 12. The bill provides that the General Assembly may introduce legislation to close the Indiana Soldier's and Sailor's Children's Home if it does not meet certain population requirements by 2013.

This bill requires the school at the Indiana Soldier's and Sailor's Children's Home to operate on a year-round schedule. It also provides that the Indiana Soldier's and Sailor's Children's Home shall receive state tuition support distributions. The bill provides that the Department of Child Services (DCS) shall consider placing a child in need of services (CHINS) who is receiving foster care in the Home if DCS believes that placement is in the best interest of the child. It also provides that a juvenile court may enter a dispositional decree for a child in need of services ordering DCS to place the child in the Children's Home. The bill repeals provisions relating to the administration of the Indiana Soldier's and Sailor's Children's Home by the State Health Commissioner.

The bill also makes an appropriation of \$2,000,000 to the Indiana Soldier's and Sailor's Children's Home from a General State Assistance Grant from the federal American Recovery and Reinvestment Act of 2009 or another federal economic stimulus law enacted in 2009.

Effective Date: Upon passage; January 1, 2009 (retroactive); July 1, 2009.

Explanation of State Expenditures: *Summary:* This bill appropriates \$2 M for FY 2010 from the funds Indiana will receive from the federal American Recovery and Reinvestment Act of 2009 or another federal economic stimulus law enacted in 2009 for (1) modernizing, (2) renovating, and (3) repairing the current facilities of the Children's Home. The appropriation is to be in addition to any other money that may be available for the purpose of modernizing, renovating, and repairing the Home.

For FY 2008, the Indiana Soldier's and Sailor's Children's Home experienced operational costs of \$10.2 M. The Home reports that most of this was spent on salary for staff (\$9 M.). It was reported that in order to meet the benchmark of 200 students by the end of FY 2010, expenditures to provide all necessary services to the additional population are estimated to be \$150,000. The continued operation of the Home as the Morton Residential Academy can therefore be expected to result in approximately \$10.4 M of state expenditures for FY 2010.

The bill creates the Morton Residential Academy Board and defines Board membership. The bill allows for the continued operation of the Home that is currently operated by the Indiana State Department of Health (ISDH) and transfers responsibility for the Academy from the ISDH to the Morton Residential Academy Board. It requires ISDH to maintain the Academy until responsibility for the Academy can be transferred to the Morton Residential Academy Board.

The bill would also included the Children's Home in the definition of school corporation for the calculation of state tuition support which could increase tuition support expenditures by \$767,000 in CY 2010 based on the current formula and enrollment at the home. The net impact on state expenditures would depend on the future level of appropriations for the Children's Home and the school funding formula.

Additional Details:

Morton Residential Academy Board: The bill establishes the Morton Residential Academy Board and specifies Board responsibilities. The Board is responsible for most of the major decision-making pertaining to the Morton Residential Academy.

The Board is made up of 9 voting members and 2 nonvoting members. Of the 11 members, 5 are state employees and 2 are members of the General Assembly. Board members are entitled to the following reimbursement rates for their service on the Board: (1) nonstate employees - per diem, traveling expenses, and other expenses incurred, (2) state employees who are not members of the General Assembly - travel and other expenses, and (3) members of the General Assembly - per diem, mileage, and travel established for interim study committees. The Board is required to meet at least 12 times per calendar year; however, it can meet more frequently as determined by the Chair of the Board or the Superintendent of the Morton Residential Academy. Additionally, the Indiana Department of Veterans' Affairs (DVA) is required to provide staffing and support for the Board. Actual expenditures incurred will depend on the number of annual meetings and Board member reimbursement claims.

The Board is also responsible for establishing the salary of the Academy's Superintendent, Commandant,

and Residence Director. It is assumed that the Commandant and the Residence Director will be new positions, whereas the Superintendent currently exists at the Soldier's and Sailor's Home's administration. If the Board elects to fill these two new positions by hiring two new individuals, expenditures for operating the Academy will increase. However, if these staff positions come from existing positions in the Home's administration, increases in expenditures will depend on if the salaries established by the Board exceed that current position's salary. Additionally, expenditures may change depending on the salary that the Board elects to establish for the Superintendent.

The Board must also routinely evaluate the home and the optimal population at the home and establish goals to recruit and maintain the optimal population which may not be less than 500 children. Beginning in 2010, the Board must submit an electronic report not later than December 1 of each year to the Legislative Council and the Governor on the population of the home. The bill provides that the General Assembly may introduce legislation to close the Indiana Soldier's and Sailor's Children's Home if it does not reach 500 children by September 30, 2013.

Indiana State Department of Health: The bill requires the Commissioner of ISDH to continue oversight of the Academy until the time that the transition plan is approved. For FY 2009, \$10.4 M from the General Fund is appropriated to the Home. The continued operation of the Home for the duration of FY 2009 will not result in any additional state expenses. However, if the transition plan is not approved by the beginning of FY 2010, ISDH may incur additional expenses for the Home's operation.

ISDH is also not permitted to adjust personnel below staffing rates in the Home that were effective on January 1, 2009. This will maintain current expenses on personnel until responsibility for the Academy transfers to the Board. As of February, 2009, there were 194 staff positions at the Home with 13 vacancies.

(Revised) Department of Child Services: The bill allows the Superintendent of the Academy to enter into an agreement with DCS for the payment of all or part of a residence charge for a child admitted to the home at the request of DCS. (Current law specifies the Indiana Soldier's and Sailor's Children's Home cannot levy money from DCS for maintenance costs.) Increases in DCS expenditures will depend on any agreement made between DCS and the Superintendent of the Academy as well as how many children are admitted to the Home at the request of the Department.

The bill also allows a court to order DCS to place a child in the Academy. This will increase DCS expenditures to finance the residence charges of children ordered for placement by the court. Actual increases will depend on the decisions of local courts.

Additional Analysis: Currently, the per student expenditure for the Home is estimated to be approximately \$91,000 per student per year. The Home currently has 114 students between grades 5 and 12.

ISDH reports that the costs per student per year may decrease if additional children attend the Academy. Additionally, if more children attend the Academy, this may increase the revenue the Academy receives from reimbursement for services provided. Any increase in the student population may not necessarily require additional staffing as the current teacher to student ration is 1:5. If the population were to increase to the first threshold defined in the bill (200 students), the teacher to student ratio would increase to approximately 1:9.

ISDH also reports that the costs of updating all physical facilities is between \$65 M to \$200 M. However, this number may not reflect the costs of updating only the physical facilities that are essential to the Academy's operation. It is assumed that any expenses to modernize facilities essential for operation would

be contained within the \$2 M appropriation from the federal American Recovery and Reinvestment Act of 2009. The Home reports that a \$2 M appropriation would be used to replace windows, doors, and make other repairs as needed in Morton Memorial School.

Tuition Support: The bill would include the Children's Home in the definition of school corporation for the calculation of state tuition support. Currently only school corporations and charter schools are included in the definition. The impact would depend on the CY 2010 school formula and the number of students at the Home. Using C A Beard Memorial School Corporation's (the school corporation where the home is located) tuition support funding, the Children's Home would receive about \$767,000 for the current 114 students. The impact on the state would depend on if the additional obligation caused the total distribution in a calendar year to exceed the maximum allowable distribution. If it did not, then the impact on the state would be an increase in state expenditures. If the additional distribution hit the calendar year cap, then each school corporation's CY distribution would be proportionately reduced to not exceed the maximum allowable distribution and there would be no impact on the state. The net impact on state expenditures would depend on the future level of appropriations for the Children's Home and the school funding formula.

Explanation of State Revenues: *Exemptions of Residence Costs:* The bill specifies that children admitted to the Academy for the following reasons are not subject to the payment of residence costs: (1) a parent is currently deployed, (2) a parent has been killed in the line of duty while serving in the armed forces of the United States or National Guard, (3) a parent is physically or mentally incapable of caring for the child because of the parent's service or direct participation in either an authorized campaign or in connection with a parent's service in the armed forces of the United States or National Guard, (4) a parent is deceased, (5) a parent is physically or mentally incapable of caring for the child, (6) a parent is absent, (7) the child is considered at risk for abuse/neglect, becoming homeless, becoming a child in need of services, or adjudicated to be a delinquent child, (8) the child is a child of a member of the armed forces of the United States or National Guard. Current law governing the Home does not have these exemptions. However, the parents of these children may not currently be responsible for the payment of residence costs depending on the Superintendent's assessment of the family's ability to pay. This provision may result in a decrease in revenue to the Academy; however any decrease is unknown at this time.

Maintenance Costs Changed to Residence Charges: The bill also changes the costs that can be assessed for a child's services received at the Academy. Under current law, these costs are referred to as maintenance costs and in the bill these costs are changed to residence charges. Under current law, maintenance costs are defined as the per capita costs for the preceding fiscal year, whereas the bill defines residence charges as dividing the total annual cost of operation of the residence by the total student days each year for the previous fiscal year (excluding the costs associated with the Academy and educational programs and the costs of construction and equipment). This change may affect the amount of revenue the Academy receives. However, any change in revenue will depend on (1) the differences between maintenance costs and residence charges and (2) the ability to pay determined by the Superintendent.

Payment of Residence Costs: The bill also adds that children referred to the Academy by any other agency or political subdivisions may be accepted after the appropriateness of placement is considered. The Superintendent is also allowed to enter into an agreement with any agency or political subdivision for the payment of the residence charges for a child admitted to the Home. To the extent this provision increases the number of children who are referred and admitted to the Academy and the collection of residence charges, revenue to the Academy may increase. Increases will depend on any agreement made between the Superintendent and referring agencies and political subdivisions.

The Home reports there are two children attending that currently have at least one parent deployed. It was reported that a majority of the children who attend the Academy are at risk of failing socially or in the education system, but may not necessarily meet the criteria contained above (see *Exemptions of Residence Charges*). Of the children that attend the Home and are liable for the payment of residence charges, the Home receives an approximate total of \$100,000 per year. The amount charged to parents for a student's attendance is based on a sliding-scale fee schedule. Additionally, it was reported that currently courts can require either parents, guardians, or DCS to pay residence charges for children referred to the Children's Home.

(Revised) *Department of Child Services*: The Home reports that DCS has not referred any children for services. Under the bill, the Academy will be able to enter into an agreement with DCS for the payment of all or part of a residence charge for children the Department refers to the Academy. Current law and the bill both require DCS to reimburse and pay all costs for children admitted to the Home as requested by the Department. If the number of referrals from DCS were to increase as the result of a new agreement, the Academy may see increases in revenue from payment from DCS for certain children placed at the Academy. Increases in revenue to the home will depend on DCS administrative action.

The bill also allows local courts to order DCS to place a child in the Academy. This provision will bypass any approval that may be required from DCS before a child would be placed in the Academy. To the extent that a court orders DCS to place a child in the Academy, revenue to the Academy will increase. Actual increases are unknown.

Explanation of Local Expenditures: The bill may increase local expenditures to the extent that local courts and local political subdivisions refer children to the Academy and are subject to pay for the child's residence costs. Actual increases in expenditures will depend on the actions of local courts and political subdivisions when making determinations for the treatment of children as well as exemptions for the payment of residence costs (see *Explanation of State Revenue*, above).

Explanation of Local Revenues: *Tuition Support: See Explanation of State Expenditures.*

State Agencies Affected: ISDH; DVA; DCS; and potentially any agency that makes an agreement with the Superintendent of the Indiana Soldier's and Sailor's Children's Home.

Local Agencies Affected: Local courts, political subdivisions.

Information Sources: Indiana State Court Administration; Paul Wilkinson, Superintendent, The Indiana Soldier's and Sailor's Children's Home, 765-345-5141 ex. 250; Scott Zarazee, ISDH; Auditor of State; Personnel Department.

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